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## New Zealand: Background and Bilateral Relations with the United States

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### Summary

New Zealand and the United States continue to have close ties despite continuing differences. These differences began in the mid 1980s over New Zealand's policy to ban nuclear armed and nuclear powered ships from its ports. This led to a split between the United States and New Zealand within the context of the Australia-New Zealand-United States (ANZUS) alliance. Despite this, New Zealand is a regular contributor to international peace operations and has contributed troops to the war against terror in Afghanistan and to assist reconstruction efforts in Iraq. New Zealand is seeking a free trade agreement (FTA) with the United States. New Zealand's economy, as well as the strength of the New Zealand dollar, continued to improve at the end of 2003. The United States is New Zealand's second most important trading partner after Australia. This report will be updated

### Background

New Zealand, also known as Aotearoa or the land of the long white cloud, was settled by the Polynesian-Maori people by the tenth century. Dutch navigator Abel Tasman discovered the western coast of New Zealand in 1642 but it was English Captain James Cook who, over three expeditions in 1769, 1773, and 1774, circumnavigated and mapped the islands. Cook reported on the Maori as well as New Zealand's unique flora and fauna. The 1840 Treaty of Waitangi, between the British Crown and Maori Chiefs, serves as the basis for defining relations between the Maori and Pakeha (European) communities. In 1893, New Zealand gave women the right to vote. This made New Zealand the first country to do so.<sup>1</sup>

Today, New Zealand is a unicameral, mixed-member-proportional, parliamentary, democracy with a population of almost four million that has many shared values with the United States that stem from its historical roots as part of the British empire. The British

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<sup>1</sup> A. E. McQueen, "New Zealand: Physical and Social Geography," in *The Far East and Australasia*, (Surrey: Europa Publications, 2002), p.889.

Monarch, Queen Elizabeth II, remains the constitutional head of state. New Zealand attained Dominion Status in 1907 and gained full political independence from Britain under the Statute of Westminster Adoption Act of 1947. New Zealanders are 86% urban and have a 99% literacy rate.<sup>2</sup> Unemployment hit a 15 year low of 4.7% in December 2003. New Zealanders' 2002 per-capita income equaled U.S.\$13,000. New Zealand has a land area of 103,733 square miles, which is about the size of Colorado. It is 28% forested with 50% in pasture and 9% under cultivation. New Zealand's GDP growth rate is projected to increase to 3% in 2004 from 2.6% in 2003.<sup>3</sup> The New Zealand Dollar rose to a six year high in December 2003. New Zealand's principal exports are agriculturally based. New Zealand defense expenditure for 2005 is projected to be 0.8% of GDP.<sup>4</sup> United States State Department Spokesman Phil Reeker has emphasized the "shared values" and "long history" that the United States and New Zealand have in common.<sup>5</sup> Secretary of State Colin Powell has described New Zealand as "very, very, very close friends" of the United States.<sup>6</sup>

## External Relations

New Zealand's closest external relationship is with Australia, while its most enduring relationship is with the United Kingdom. The closeness with Australia stems from their common origins as British colonies. New Zealanders' affinities for the United Kingdom (UK) remain strong despite the UK's decision to sever its preferential trade relationship with New Zealand, as well as the rest of the British Commonwealth, in order to join the European Community in the 1970s. The United Kingdom purchased two thirds of New Zealand's exports in 1950. In more recent years, the UK has ranked as New Zealand's fourth largest destination for exports. This has made the search for new foreign markets a key aspect of New Zealand's foreign policy. Japan is now a key trading partner for New Zealand. Relations between New Zealand and Australia are very close and are formalized in the Closer Economic Relations (CER) and Closer Defense Relations (CDR) agreements. On a cultural level, shared national lore, such as the Australia-New Zealand Army Corp (ANZAC) experience, which was largely forged at the battle of Gallipoli in WWI, serves to reinforce ties between New Zealand and Australia. New Zealand is, along with Australia, Britain, Singapore and Malaysia, a signatory to the Five Power Defense Arrangements of 1971. New Zealand is also a member of the Commonwealth and an active supporter of the United Nations (UN). New Zealand contributed troops to WWI, WWII, Korea, and Vietnam.

New Zealand has an increasingly Pacific identity that stems from both its indigenous Maori population and other more recent Pacific island immigrants from Polynesia and Melanesia. While Maori represent 14.5% of the population, Pacific Islanders comprise

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<sup>2</sup> Paolo Pasicholan, ed. *U.S. and Asia Statistical Handbook*, (Washington: The Heritage Foundation, 2003).

<sup>3</sup> *New Zealand Country Report*, Economist Intelligence Unit, December, 2003

<sup>4</sup> "Attacking Defense," *Otago Daily Times*, December 15, 2003.

<sup>5</sup> Fran O'Sullivan, "U.S. Spokesman Keen to Reinforce Long Friendship," *New Zealand Herald*, November 19, 2003.

<sup>6</sup> "Bush Hints at Trade Deal," *New Zealand Herald*, October 16, 2003.

approximately 6.5%. Auckland is also the world's largest Polynesian city. New Zealand Foreign Minister Phil Goff has described New Zealand as a "Pacific nation." New Zealand has a set of relationships with South Pacific island groups that is similar to the relationships that the United States has with various island groupings in the Western Pacific. New Zealand has had colonial and trusteeship relationships with the Cook Islands, Niue, Western Samoa and Tokelau. Samoa became independent in 1962, while the Cook Islands and Niue became self governing in 1965 and 1974 with free association with New Zealand. Tokelau is yet to achieve self determination. New Zealand remains engaged with the islands through disaster relief, development assistance, and security stabilization efforts. New Zealand also works closely with other Pacific Island states on a bilateral and multilateral basis through the South Pacific Islands Forum which is based in Fiji. The Forum has supported the South Pacific Nuclear Free Weapons Zone, efforts to promote sustainable use of fisheries resources, and regional security.<sup>7</sup>

## **Contributions to Peace Operations and The War Against Terror**

New Zealand is an active supporter of international security and peacekeeping. At the end of 2003, New Zealand had troops committed to 13 Peace Support Operations including Bosnia, Sierra Leone, and Kosovo. New Zealand's commitment to such operations is demonstrated by New Zealand's leading role in helping to resolve the conflict on Bougainville, its participation in peace operations in East Timor and, most recently, through its contribution of troops to security operations in the Solomon Islands. In August of 2003, Prime Minister Clark announced that New Zealand would contribute military personnel, as well as police and civilian assistance, to the Regional Assistance Mission in the Solomon Islands. New Zealand forces joined forces from Australia, Fiji, Tonga, and Papua New Guinea in an effort to bring peace and stability to the Solomon Islands.<sup>8</sup>

New Zealand has supported the international effort in the war against terror and has sent a small number of peacekeeping and reconstruction forces on extended deployment to Afghanistan.<sup>9</sup> New Zealand, along with Britain, is assisting the United States in establishing nine joint civilian-military Provincial Reconstruction Teams (PRT) to create islands of stability across Afghanistan.<sup>10</sup> New Zealand assumed leadership of the PRT for Bamian Province in September 2003.<sup>11</sup> New Zealand's contribution to the war against terror was demonstrated in December 2003 when a New Zealand P-3 K Orion aircraft spotted two ships in the Northern Arabian Sea which were found to be smuggling \$11

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<sup>7</sup> "New Zealand in the Pacific," New Zealand Ministry of Foreign Affairs and Trade, [<http://www.mfat.govt.nz>].

<sup>8</sup> Rt. Hon. Helen Clark, "Infantry Company Deployment to Solomons," August 25, 2003. [<http://www.beehive.govt.nz>].

<sup>9</sup> Rt. Hon. Helen Clark, "Government Assistance to Operation Enduring Freedom and Iraq," June 9, 2003. [<http://www.beehive.govt.nz>].

<sup>10</sup> Stephen Graham, "U.S. Military Changes Tactics," *Charleston Gazette*, December 21, 2003.

<sup>11</sup> Rt. Hon. Helen Clark, "NZDF to Lead Afghan Provincial Reconstruction Team," September 22, 2003. [<http://www.beehive.govt.nz>].

million worth of heroin and methamphetamines for al Qaeda.<sup>12</sup> New Zealand is a party to all 12 United Nations conventions on terrorism. Prime Minister Clark also provided some support to the United States initiative to focus APEC on security issues at its 2003 meeting.<sup>13</sup>

New Zealand has also sent a small contingent of combat engineers to assist with reconstruction efforts in post-conflict Iraq. This deployment earned New Zealand the designation “force contributing nation” in the estimation of the United States, which qualifies New Zealand to bid for reconstruction projects.<sup>14</sup> It also demonstrates recent improvement in bilateral relations which reached a low point in March 2003 when Prime Minister Clark stated the United States decision to go to war with Iraq without a UN Security Council mandate was a matter of “profound regret.”<sup>15</sup> American Ambassador to New Zealand Charles Swindells noted that the United States was “saddened” by New Zealand’s decision not to participate in the war in Iraq before observing that this was “the first time in our shared history, [that] New Zealanders were not with us in a major military conflict.”<sup>16</sup> New Zealand Ambassador to the United States John Wood has stated that New Zealand’s policy is that “the use of force should be sanctioned by the United Nations.”<sup>17</sup> United Nations Diplomat Ross Mountain, of New Zealand, was appointed temporary Director of the UN’s Iraq team in December 2003.<sup>18</sup> New Zealand has offered agricultural expertise and \$580,000 in support of Coalition Provisional Authority efforts to improve Iraqi agriculture.<sup>19</sup>

## Bilateral Relations

The United States is New Zealand’s second largest destination for exports. 15.4% of its exports go to the United States, while 20% go to Australia. New Zealand’s principal exports are wool, meat, dairy products, fish, fruit, timber and manufactured products. Agricultural exports contributed 60% of New Zealand’s export earnings. There are also approximately 45 million sheep in New Zealand.<sup>20</sup> New Zealand’s exports have increased

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<sup>12</sup> Mathew Dearnaley, “Orion Patrol Fingers Dhows Linked to al Qaeda,” *New Zealand Herald*, December 22, 2003.

<sup>13</sup> “New Zealand in the News,” United States-New Zealand Council, December, 2003.

<sup>14</sup> Tracy Watkins, “N.Z.’s Role in Iraq Praised by Downer,” *Dominion Post*, December 15, 2003.

<sup>15</sup> Anthony Hubbard, “Stars and Swipes,” *Sunday Star Times*, October 19, 2003. See also, Rt. Hon. Helen Clark, “Prime Minister’s Statement to Parliament,” February 11, 2003. [<http://www.beehive.govt.nz>].

<sup>16</sup> Ambassador Charles Swindells, “Remarks to the Victoria University Diplomat’s Series,” U.S. Embassy, Wellington, October 8, 2003.

<sup>17</sup> Ambassador John Woods, “Address to the Kennedy Political Union,” November 17, 2003, New Zealand Embassy, Washington, DC.

<sup>18</sup> Claire Harvey, “Kiwi Named UN Envoy to Baghdad,” *The Australian*, December 15, 2003.

<sup>19</sup> Deputy Spokesman Philip Reeker, “U.S. Welcomes New Zealand’s Assistance for Iraq, Afghanistan,” June 9, 2003, Department of State Press Release.

<sup>20</sup> “New Zealand in Profile,” Statistics New Zealand, 2002.

by 50% over the past ten years.<sup>21</sup> The United States is the second largest source of imports to New Zealand.

New Zealand has, like Australia, been seeking an FTA with the United States.<sup>22</sup> Unlike Australia, its bid for an FTA is not on the fast track and may have to wait until 2005 for consideration.<sup>23</sup> United States Trade Representative Bob Zoellick is reported to have stated in May 2003 that a free trade deal with New Zealand was too hard at present.<sup>24</sup> New Zealand is reportedly open to being included in an Australian-U.S. FTA. New Zealand's Foreign Minister, Phil Goff, has expressed his concern that a bilateral FTA between Australia and the United States would disadvantage New Zealand by diverting trade and investment from New Zealand.<sup>25</sup> While the impact of an FTA on the overall United States economy would be small, such an agreement is projected to increase U.S. merchandise exports to New Zealand by 25% while leading to a 0.5% decline in the United States dairy sector.<sup>26</sup>

Reasons for the lack of progress on an New Zealand-U.S. FTA, relative to Australia's bid, include New Zealand's opposition to what the Clark Government perceived as a unilateral, United States-led war in Iraq, as well as lingering distance in the relationship that is the result of the de facto split between the United States and New Zealand, within what was a trilateral ANZUS alliance (with Australia), that occurred in the mid 1980s. At that time, the Labour government of Prime Minister Lange, of which current Prime Minister Helen Clark was a member, decided to ban all nuclear powered and nuclear armed ships from New Zealand ports. This led the United States to suspend its formal security commitment to New Zealand. The split led commentators on the relationship to describe the United States and New Zealand as "friends, no longer allies." The treaty remains in place with respect to the bilateral United States-Australia relationship. United States military aircraft continue to use Christchurch as a supply base for Antarctica. This logistical support, and joint working relationship, was established in 1958.<sup>27</sup> The United States and New Zealand also continue to work closely on electronic intelligence gathering and sharing.<sup>28</sup>

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<sup>21</sup> "New Zealand Fact Sheet, American-Australian Association.

<sup>22</sup> "N.Z. Hopes to Emulate Aust-U.S. Trade Deal," *Australian Broadcasting Corporation*, December 14, 2003.

<sup>23</sup> Raylene Keenan, "Downer Doesn't Expect N.Z. to Make U.S. FTA List Until 2005," *New Zealand Press Association*, December 14, 2003.

<sup>24</sup> "U.S. Trade Stance Unaltered," *The Christchurch Press*, November 14, 2003.

<sup>25</sup> "New Zealand Hopes to Emulate Australia-U.S. Trade Deal," *Australian Broadcasting Corporation*, December 14, 2003.

<sup>26</sup> Fred Bergsten & Robert Scollay, "The Case for a Model Free Trade Agreement Between the United States and New Zealand," [Prepared for the U.S.-New Zealand Council] New Zealand Embassy, Washington, DC, [<http://www.nzembassy.com>].

<sup>27</sup> "U.S. Antarctic Program," United States Embassy, Wellington. [<http://www.usembassy.org.nz>].

<sup>28</sup> Jim Rolf, "Let's Just Be Friends: New Zealand and the United States," *Asian Affairs*, Summer, 2003, p.127.

## Nuclear Differences

New Zealand's Prime Minister since 1999, Helen Clark, comes from the left wing of the New Zealand Labour Party. She has also been a leader of the anti-nuclear movement. New Zealand became a nuclear free zone in 1987. New Zealand has been an outspoken critic of French nuclear testing in the South Pacific. Past nuclear differences between the United States and New Zealand have been exacerbated in recent years by other policy differences. Clark did not help bilateral relations with the United States when she stated that the Iraq war would not have occurred under a Democrat-led American government.<sup>29</sup> Her government also reversed a decision to lease 28 F-16 aircraft from the United States, which some perceived as part of the previous National Party government's efforts to develop closer ties with the United States while upgrading New Zealand's air force. When asked if New Zealand's nuclear policies were having an impact on FTA negotiations with New Zealand, President Bush stated that "The nuclear policy, obviously, makes it difficult for us to have a military alliance. But we're friends with the New Zealands [sic]. We respect the New Zealand people."<sup>30</sup>

Bill English, formerly leader of the main opposition center-right National Party, criticized Prime Minister Clark's foreign policy toward the United States in October 2003. English suggested revisiting New Zealand's policy on American naval visits. He did this by suggesting that New Zealand should reconsider its policy and invite the United States Navy to send a ship to visit New Zealand. Some in New Zealand believe that New Zealand stands to gain from revisiting its policy on nuclear ship visits.<sup>31</sup> The U.S. Ambassador to New Zealand, Charles Swindells, has stated that the United States would welcome any review of New Zealand's anti-nuclear legislation.<sup>32</sup> Visiting State Department spokesman Philip Reeker stated "If you [New Zealand] want to re-examine that policy, that would be great. We would love to be able to cooperate more fully with New Zealand as we did in the past."<sup>33</sup> A meeting between Prime Minister Clark and President Bush in Bangkok at the Asia Pacific Economic Cooperation meeting of October 2003 yielded no change in U.S. policy on FTA negotiations. English lost control of the opposition in October 2003 and was replaced by Don Brash.<sup>34</sup>

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<sup>29</sup> "Politics," United States - New Zealand Council Newsletter, December, 2003.

<sup>30</sup> "Interview of the President by Malcolm Brown," *Newswire*, October 18, 2003.

<sup>31</sup> Colin Espiner, "A Way Out of Nuclear Impasse," *The Christchurch Press*, November 24, 2003.

<sup>32</sup> Fran O'Sullivan, "U.S. Spokesman Keen to Reinforce Long Relationship," *New Zealand Herald*, November 19, 2003.

<sup>33</sup> "U.S. Tells New Zealand Free Trade Deal Not the Be All End All of the Relationship," *AFX UK Focus*, November 18, 2003.

<sup>34</sup> Chris Trotter, "2003-The Year that Was," *The Independent*, December 17, 2003.